

# TRIP REPORT

## PRIVATE SECTOR DEVELOPMENT OF HOUSING EASTERN EUROPE

### HOUSING DEVELOPMENT DEMONSTRATION PROJECT

in Bourgas, Rousse and Stara Zagora, Bulgaria

Prepared for

United States Agency for International Development  
Bureau for Private Enterprise  
Office of Housing and Urban Programs

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## **HOUSING DEVELOPMENT DEMONSTRATION PROJECT**

**in Bourgas, Rousse and Stara Zagora, Bulgaria**

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## **2 OVERVIEW**

During the period June 7-15, a visit was made to Bulgaria to provide further technical assistance as part of the Housing Development Demonstration Program. The consultant team consisted of James Lynch of PADCO and William Claggett and Dimitar Doukov of ICMA. Field visits were made to the participating cities of Bourgas, Rousse and Stara Zagora. The status of the program in each of the three cities is described below.

## **4 PROGRAM STATUS**

### **4.2 Bourgas**

It appears that the program in Bourgas is progressing extremely well. Twelve developers submitted a total of 25 proposals for the three sites identified in the RFP; some developers submitted proposals for more than one site. The municipality received nine proposals for parcel 43-A, eight proposals for 43-B and eight proposals for 43-C.

The RFP was issued on April 15th and developer submissions were due no later than June 1st. Developer presentations of proposals were organized for June 7th and 8th. The consultant team was in Bourgas on June 8th and had the opportunity to observe the developer presentations as well as the municipality's proposal review and selection process. Key features of the process are presented below:

1. The municipality established an Architectural Review Committee and an Economic Review Committee; developers were required to deliver formal presentations before each committee.
2. The Architectural Review Committee was comprised of six members; four members were municipal staff, one member was the Chief Editor of Bulgaria's *Architecture* magazine and another was a professor of architecture at Sofia University. The four members of the Economic Review were all municipal staff.
3. The developer presentations were conducted in a highly professional manner. The development teams used visual aides such as architectural renderings and small-scale models to highlight key design characteristics of their proposed projects.

4. Following the formal presentations, the Committees asked the developers specific questions regarding their proposed projects. Committee members used a scoring-matrix to assist in ranking the projects across different architectural and economic criteria.
5. On the afternoon (and into the evening) of June 8th, the two committees independently ranked the proposed projects and later met together to arrive a consensus as to which developers should be selected for the three sites.
6. On the morning of June 9th, names of the three “winning” development firms were made public. Montagi was selected for parcel 43-A, Masters for 43-B and Odessos for 43-C.

In summary, the entire proposal review and selection process, including the developer presentations, was conducted in a highly professional manner. The municipality took a number of steps to ensure transparency of the process such as: 1) not announcing the names of committee members before June 7th; 2) including non-municipal staff members on the Architectural Review Committee; 3) adopting a scoring system for ranking the proposals across architectural and economic criteria; and 4) adhering to a pre-defined, relatively short proposal review and selection schedule. Photos of the proposal review and selection process appear in Annex A.

On June 9th, the consultant team met with the following municipal officials: the Honorable Pzodan Pzodanov, Mayor of Bourgas; Mr. Georgi Georgiev, Deputy Mayor; Mr. Angelin Bratanov, Chief Architect; and Mr. Dimitar Mandrov, Director of Building and Construction. The purpose of these meetings was to ascertain their opinions and perceptions about the RFP process and to discuss what improvements are recommended for the future.

Everyone was extremely pleased and satisfied with the municipality's role in the process as well as the favorable response to the RFP on behalf of the development community. Nevertheless, the municipality offered the following recommendations for future RFPs:

1. The proposal review period should be longer than three days; the municipality's rationale for such a short review period during this round was to ensure transparency of the process.
2. The RFP should include standardized forms for the developers to describe the architectural and economic characteristics of their respective projects; such forms would aid in the proposal review process.
3. The municipality should recruit qualified personnel to assist in the economic and financial review of proposals.
4. The process might include a second-round of discussions with developers after the initial review stage and developer presentations.

The Municipality of Bourgas and the developers which participated in the RFP process deserve commendation for their efforts to-date. Recommended follow-up technical assistance in Bourgas is outlined in Section III of this Report.

#### **4.4 Rousse**

On June 10th, the consultant team met with Mr. Vangel Pavlov, Deputy Mayor and Ms. Anka Choleva, Expert from the Department of Architecture and Construction. The meeting addressed the current status of the program and future technical assistance requirements.

Rousse's RFP, offering three municipally-owned sites for development, was issued on March 7th. The municipality received three proposals from three local developers for one site in the central part of town. The municipality received no proposals for the remaining two sites, both located outside the city limits; the minimum level of compensation to the municipality in exchange for the building rights, specified in the RFP to be 20 percent of gross building area, was perceived to be too high by the local development community.

In mid-May, the municipality selected the "winning" developer for the central site; the firm is Domostroene, a state-owned development company. Domostroene has negotiated with the municipality to develop office space and small retail shops on the site; however, in response to the municipality's objective of promoting housing development, the firm has agreed to provide the municipality with off-site housing units in compensation for development rights for the parcel. The firm and the municipality has agreed to a compensation arrangement whereby approximately six flats would be provided to the municipality if they are located in the central city and up to eight flats if they are located outside the central city.

At the time of the consultant team's visit, the Municipal Council was in the process of reviewing the draft Development Contract. The Council's approval appeared to be forthcoming and, in turn, the Contract would be sent to the development firm and final negotiations would commence. The municipality indicated that ground-breaking is expected in September.

The municipality has already prepared another RFP for three sites. One site is a highly desirable parcel in the central city and the remaining two sites are the same parcels included in the previous RFP. The minimum compensation levels for these two outlying sites will not be fixed at 20 percent, but rather be defined by developers as part of their proposals. For the central site, the municipality is trying to reduce the minimum compensation level from 38 percent, as currently defined in the draft RFP. Both Mr. Pavlov and Ms. Choleva expressed concern that the housing market in Rousse is shrinking due to the absence of effective demand at current price levels for newly constructed units. This new RFP will likely be released sometime in July in an effort to promote construction by September.

#### **4.6 Stara Zagora**

On June 13th, the consultant team held a meeting with: Mr. Tenko Rukanov, Chief Expert with the Municipal Property Department; Mr. Lyubomir Slavkov, Chief Expert with the Regional Development, Housing Policy and Construction Department; and Ms. Zdravka Kairakova, Chief Expert with the Regional Development, Housing Policy and Construction Department. The

meeting focused on remaining issues which need to be resolved before the municipality can release their RFP.

The municipality successfully cleared the most recent hurdle in the program--the Municipal Council passed a local ordinance allowing the municipality to receive residential units as compensation for granting building rights on municipal parcels. This ordinance was passed as an "experiment" and the Council has authorized the use of RFPs for two municipally-owned parcels, one of which has already been selected. The Council also expressed their desire to see construction commence in September.

The draft RFP for the one site, located in the central part of town, is near completion; however, a foundation was laid on this site a few years ago by a state-owned construction company. The municipality was awaiting a letter specifying the former developer's compensation requirements for the foundation and the company's willingness to relinquish its development rights on the property. Since the Consultant Team's visit, the municipality discovered that the developer never had obtained the necessary permits and approvals to develop the site. The municipality is, therefore, investigating whether it is necessary to compensate the developer for the foundation work.

Assuming an agreement is reached between the municipality and the former developer of the proposed site, it appears that the municipality will require additional technical assistance in finalizing their RFP and organizing the tender process. During the most recent visit to Stara Zagora, the consultant team was able to provide the municipality with a set of criteria which could be used in the proposal review and selection process (see Annex B).

The consultant team also met with Mr. Kolyo Christov, Director of the Regional Development Department. This meeting was used to debrief Mr. Christov on the team's discussions with Mr. Rukanov, Mr. Lyubomir and Ms. Kairakova. Mr. Christov reaffirmed his commitment to the program and indicated he would do everything possible to meet the Council's deadline of September for project ground-breaking.

## **6 RECOMMENDED FOLLOW-UP TECHNICAL ASSISTANCE**

Presented below is the consultant team's recommendations for follow-up technical assistance which should be accomplished by late-July or early-August. Some of the following tasks can be completed by local PADCO and ICMA consultants prior to the consultant team's return to Bulgaria.

### **6.2 Bourgas**

1. Obtain list of developers who purchased the RFP and another list of developers who actually responded. Compile basic database characterizing development community (i.e. firm size, years in business, capitalization, past/current/future projects, etc.)

2. Interview developers who participated in the RFP process for feedback regarding how the process might be improved and what type of technical assistance would be most useful to the development community.
3. Meet with the three “winning” developers and provide hands-on technical assistance related to negotiations with the municipality, especially in areas such as construction scheduling, project finance, infrastructure provision, marketing and compensation arrangements.
4. Meet with the municipality to ascertain status of the three Development Contracts and to provide technical assistance in project management and in resolving any outstanding issues related to the proposed projects.

#### **6.4 Rousse**

1. Obtain list of developers who purchased the RFP and another list of developers who actually responded. Compile basic database characterizing development community (i.e. firm size, years in business, capitalization, past/current/future projects, etc.)
2. Interview developers who participated in the RFP process for feedback regarding how the process might be improved and what type of technical assistance would be most useful to the development community.
3. Meet with the “winning” developer of the central site and provide hands-on technical assistance related to negotiations with the municipality, especially in areas such as construction scheduling, project finance, infrastructure provision, marketing and compensation arrangements.
4. Meet with the municipality to ascertain status of Development Contract and to provide technical assistance in project management and in resolving any outstanding issues related to the proposed project.
5. Ascertain status of next RFP and provide technical assistance to the municipality for improving the proposal review and selection process.
6. Meet with the Downtown master Plan team to review criteria for the designation of municipal land for housing, as part of this demonstration program.

#### **6.6 Stara Zagora**

1. Provide technical assistance to the municipality in finalizing the RFP and advertising the RFP through appropriate channels to ensure a strong response.
2. Depending upon when the RFP is released, provide technical assistance to the municipality in organizing a pre-bidding conference or in conducting the proposal review and selection process.

3. Include a description of the proposal evaluation weighting system (see Annex B) in the RFP to inform developers about what criteria the municipality will use to rank proposals.
4. After the municipality selects a second site for inclusion in the program, provide technical assistance in preparing the RFP.

In addition to the tasks outlined above, serious consideration should be devoted to expanding the program to include other interested municipalities in Bulgaria. The first step would involve identifying municipalities which have the capability (and commitment) to offering municipal parcels to private developers for the purpose of promoting housing construction. This activity could be undertaken by local PADCO and ICMA staff with the assistance of Michael Hoffman, Resident Advisor. The PADCO/ICMA consultant team has produced a number of documents related to the RFP process, most of which have already been translated into Bulgarian. These materials, in combination with the RFPs already prepared by the participating cities, would serve as excellent guidelines for municipalities interested in the RFP process.

## **8 FUTURE ACTIVITIES**

Based on the progress made to-date on the program in each of the participating cities, the consultant team strongly recommends that USAID sponsor a national workshop/conference on the RFP process in Bulgaria. The focus of such a workshop/conference would be on the RFP experience in the participating cities of Bourgas, Rousse and Stara Zagora. Each case is unique and a national workshop/conference could provide an effective vehicle for promoting the RFP process in other municipalities throughout Bulgaria.

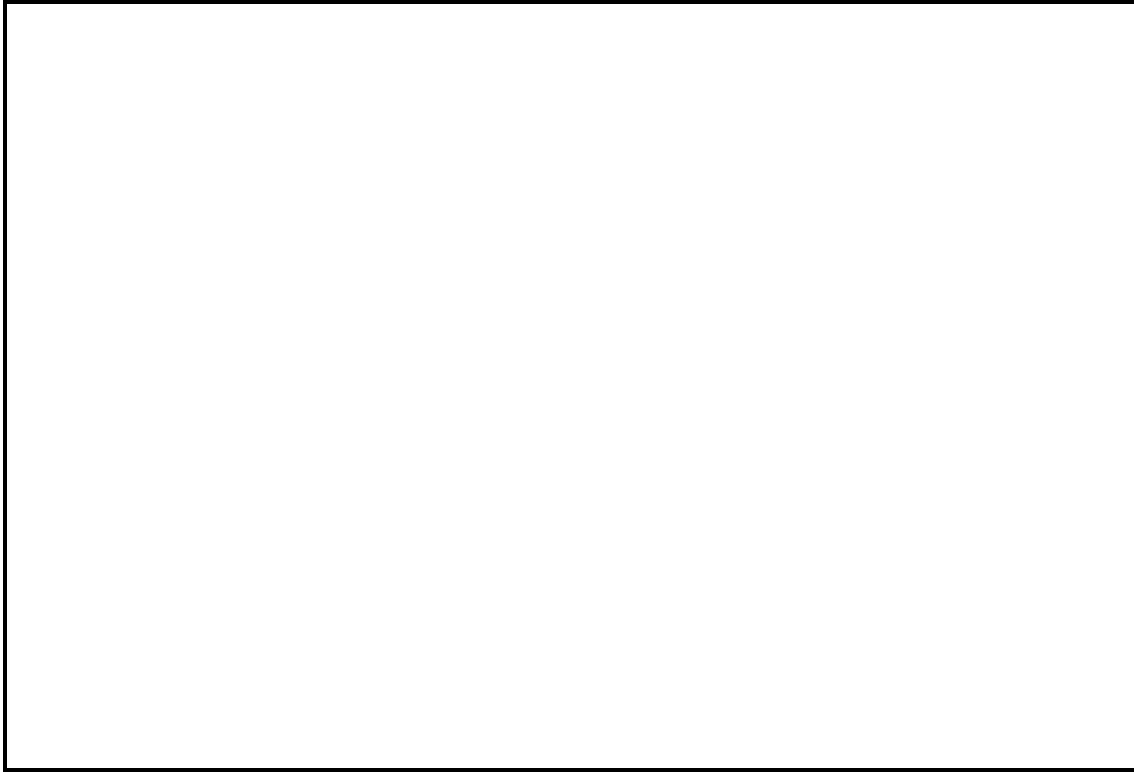
It is envisioned that representatives from Bourgas, Stara Zagora and Rousse would deliver case study presentations, addressing topics such as RFP preparation, the proposal review and selection phase and recommended changes to the process to reflect the Bulgarian context. The audience would be comprised of municipal officials and private developers from throughout Bulgaria; the audience would be expected to participate extensively by posing questions to municipal officials and private developers who have first-hand experience with preparing and responding to RFPs.

The most appropriate timing for such a seminar would be October or November, when it is anticipated that some of the development projects in the participating cities will be underway. The PADCO/ICMA consultant team will discuss this proposal with USAID in Washington before making any commitments in the field.

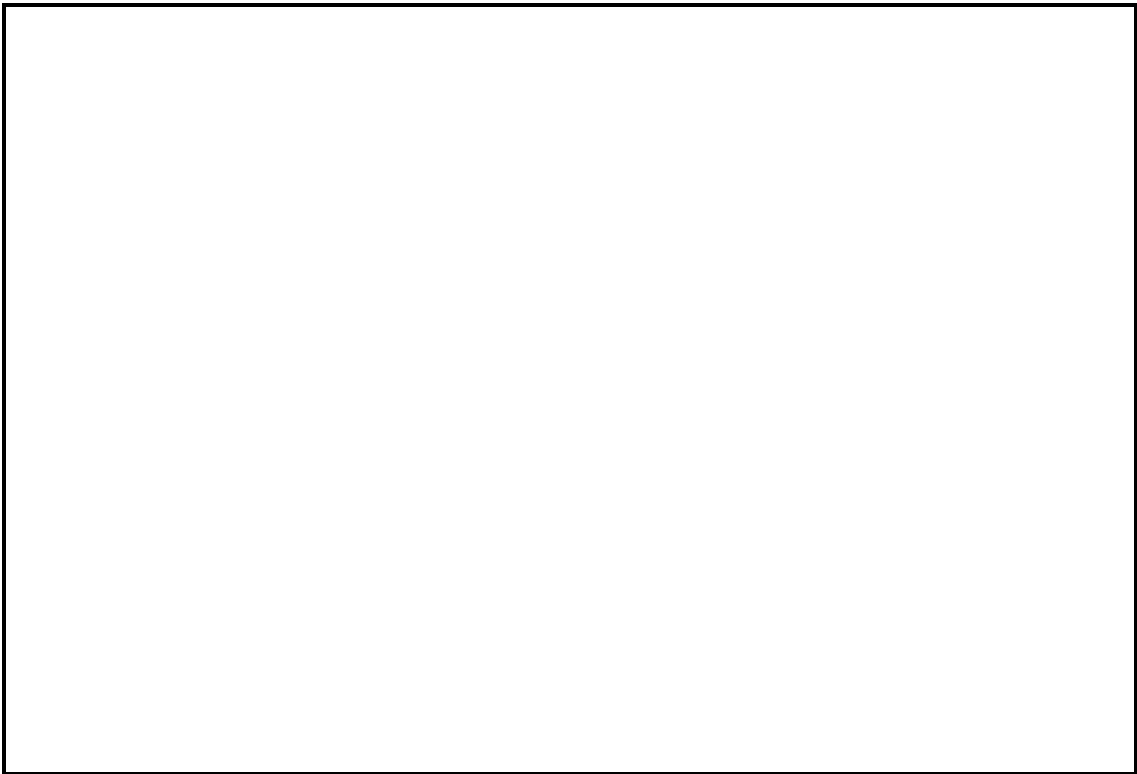
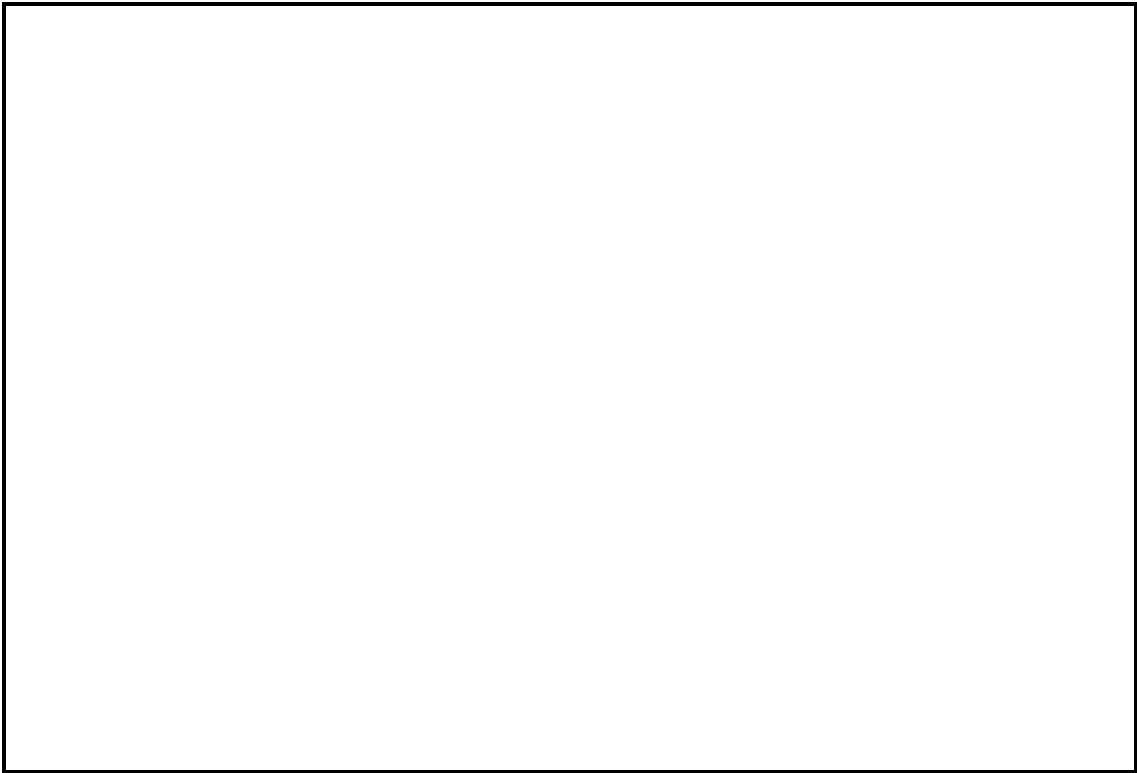


**ANNEX A**  
**PROPOSAL REVIEW AND SELECTION PROCESS IN BOURGAS**  
**JUNE 8, 1994**

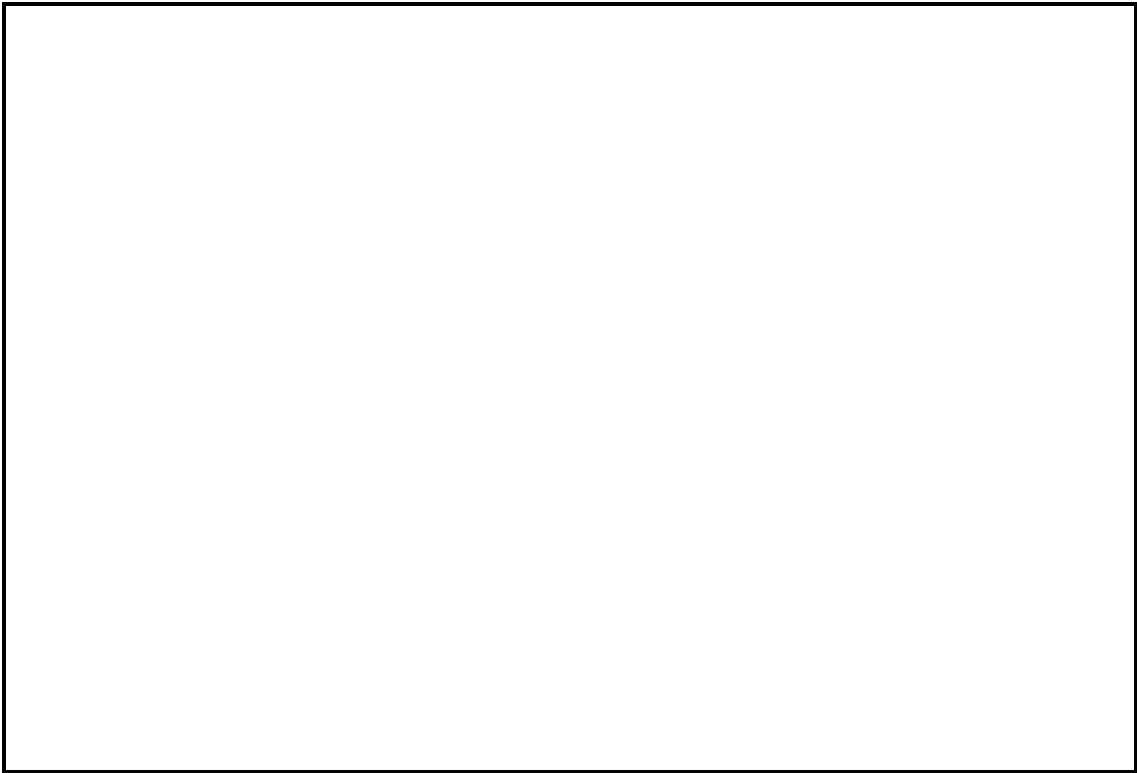
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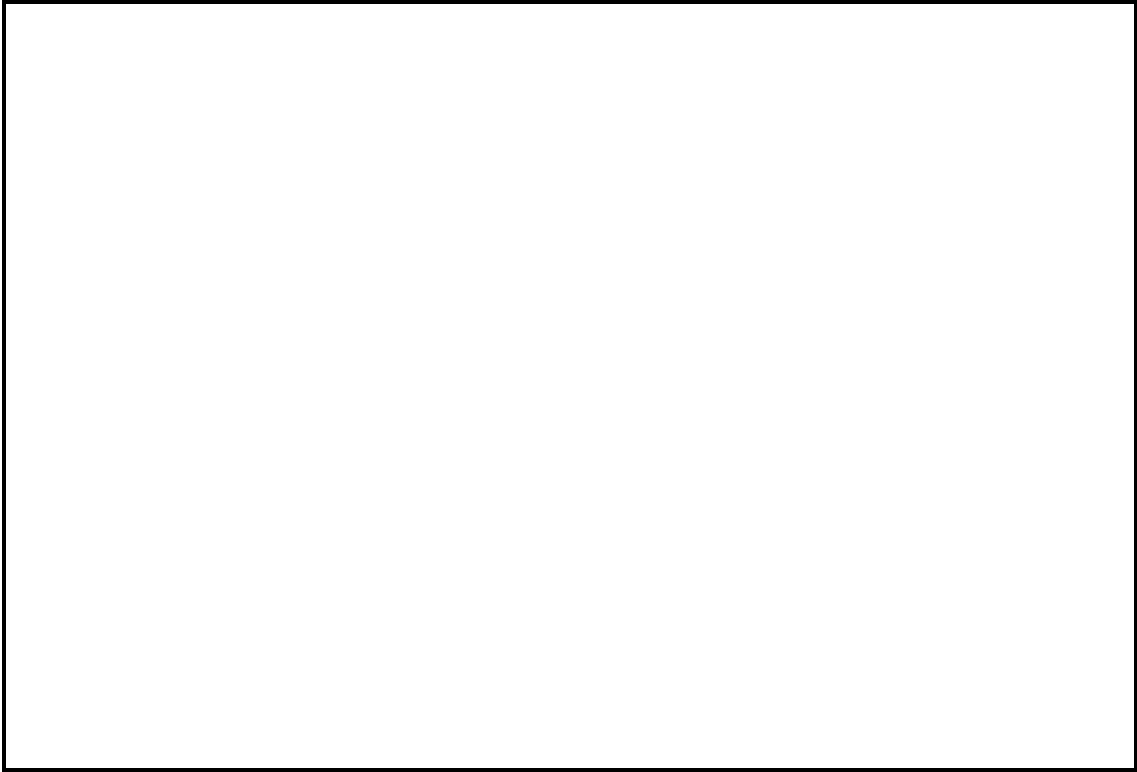


Members of the Architectural Review Committee examining proposed site plans.



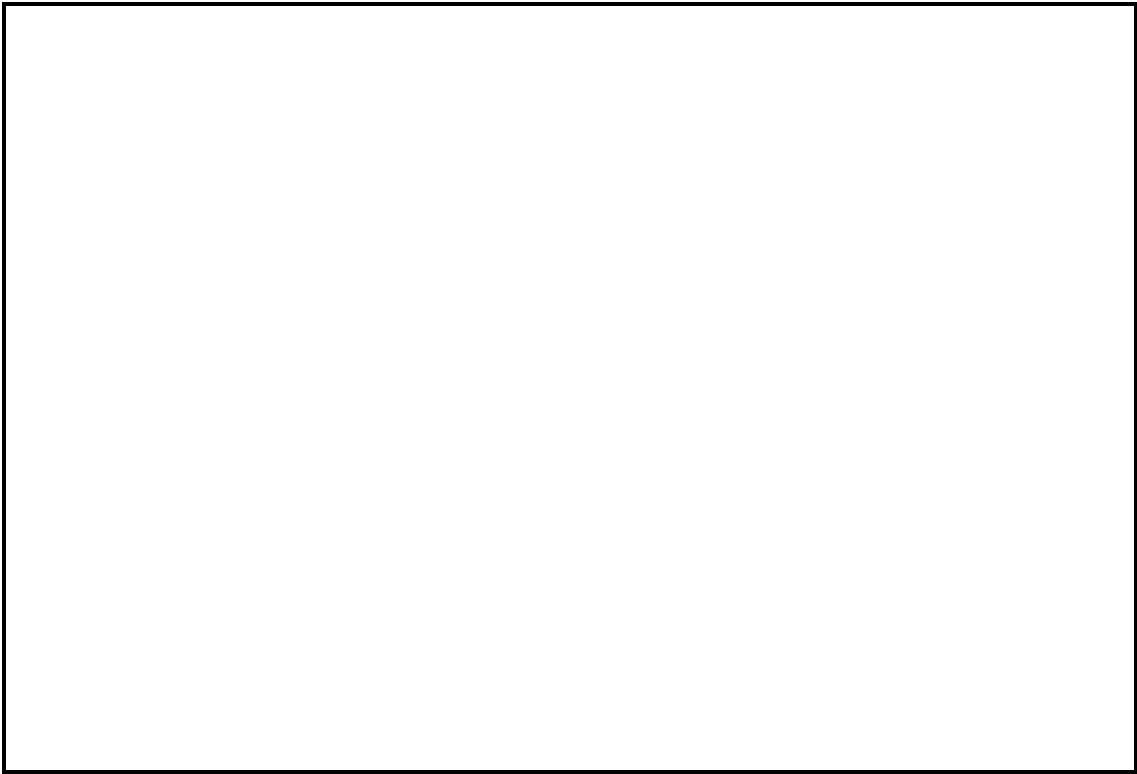
Site plan and scale model of one proposed development project.





Developers making formal presentations before the Architectural Review Committee.





Members of the Architectural Review Committee examining proposed site plans.



## **ANNEX B**